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The Treasury Note

A monthly newsletter of Municipal Finance

February 1, 2000

California's Economy

In December, the UCLA Anderson Forecasting Project published its quarterly economic forecast for California and the nation. The UCLA economists were moderate in their forecasts. Largely, they found that 1999 was a good year and that California's economy continues to look good heading into 2000. Some of the largest growth areas in California's 1999 economy included:

- ◆ 10.2 percent growth in California's exports to foreign countries in third quarter 1999 compared to the same time in 1998;
- ◆ construction and water transportation industry job gains of 12.1 percent and 16 percent, respectively, compared to 1998; and
- ◆ continued consumer confidence leading to a forecasted 8.9 percent increase in taxable sales for 1999.

Citing California's non-farm employment, UCLA economists forecast a moderate economic growth rate of 2.7 percent in 2000 compared to 2.8 percent in 1999.

The U.S. economy is expected to slow to a growth rate of 3.2 percent and 2.8 percent in 2000 and 2001, respectively.

Unemployment Remains Low

California's unemployment rate remained at 4.9 percent for the month of December, matching the lowest rate in 30 years. Adding 63,700 jobs during the month, California posted its fourth straight month of unemployment below 5 percent. The lowest rate in the State was in Marin and San Mateo counties at 1.4 percent.

2000-01 Governor's Budget

Governor Gray Davis released his proposed 2000-01 budget on January 10. The \$68.8 billion budget includes appropriations of \$28 billion for K-12 education, \$18.9 billion for health and human services, and \$8.8 billion for higher education, which account for approximately 80 percent of the total budget. The budget proposal also includes a rainy-day reserve of \$1.2 billion and set-asides for legal contingencies (\$500 million) and legislative initiatives (\$100 million).

2000-01 Governor's Budget

General Fund

Budget Summary

(Published 1/10/2000)

(Dollars in Millions)

	1999-00	2000-01
Prior Year Balance	\$3,708	\$3,012
Revenues and Transfers	\$65,160	\$68,237
Total Resources Available	\$68,868	\$71,249
Expenditures	\$65,856	\$68,819
Fund Balance	\$3,012	\$2,430

Budget Reserves and Set-Asides:

Reserve for liquidation of Encumbrances	\$592	\$592
Set-aside for Legal Contingencies	\$0	\$500
Set-aside for one-time Legislative Initiatives	\$0	\$100
Special Fund for Economic Uncertainties	\$2,420	\$1,238

Frequently Asked Questions

Q: I own a State of California General Obligation bond in book-entry form. My interest payments from this bond are sent to my current bank. How can I redirect my interest payments to a different bank?

A: Book-entry bond interest payments are sent to you by your broker. Your broker has established an account for you and handles the arrangements for disbursement of your interest payments. To change where you would like your payments deposited, please contact your broker.

Q: Where can I find financial information about the State of California?

A: The current State of California official statement (OS) holds the information regarding the State's indebtedness, finances, state budget, economy, litigation, and unaudited financial statements. Audited financial statements appear on our website at www.treasurer.ca.gov/stofin.htm. An updated OS will be available this March. If you need additional information or would like us to send you the OS in March, please contact our office at (800) 900-3873.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website (www.treasurer.ca.gov) or call (800) 900-3873.

BOND SALES	AMOUNT	SALE DATE
Various Purpose General Obligation Bonds	\$500 million	February 23, 2000
Department of Veterans Affairs, Home Purchase Revenue Bonds	\$100-150 million	March 2000
State Public Works Board, Department of Corrections and Youth Authority Lease Revenue Bonds	\$45 million	March 2000
Various Purpose General Obligation Bonds	\$400-500 million	April 2000
Department of Veterans Affairs, General Obligation Bonds	\$60-100 million	April 2000
CSU, Pomona Student Union Revenue Bonds	\$19 million	April 2000
Various Purpose General Obligation Bonds	\$400-500 million	Summer 2000

***Subject to change without notice. Updates can be obtained at www.treasurer.ca.gov**

Listing of Redemptions

There are no redemptions announced as of February 1, 2000.

Questions regarding redemptions or registration information can be directed to (800) 900-3873.

Information & Assistance

To receive *The Treasury Note* newsletter monthly, enroll for direct deposit of your payments, or for bond-related questions, please call:

(800) 900-3873